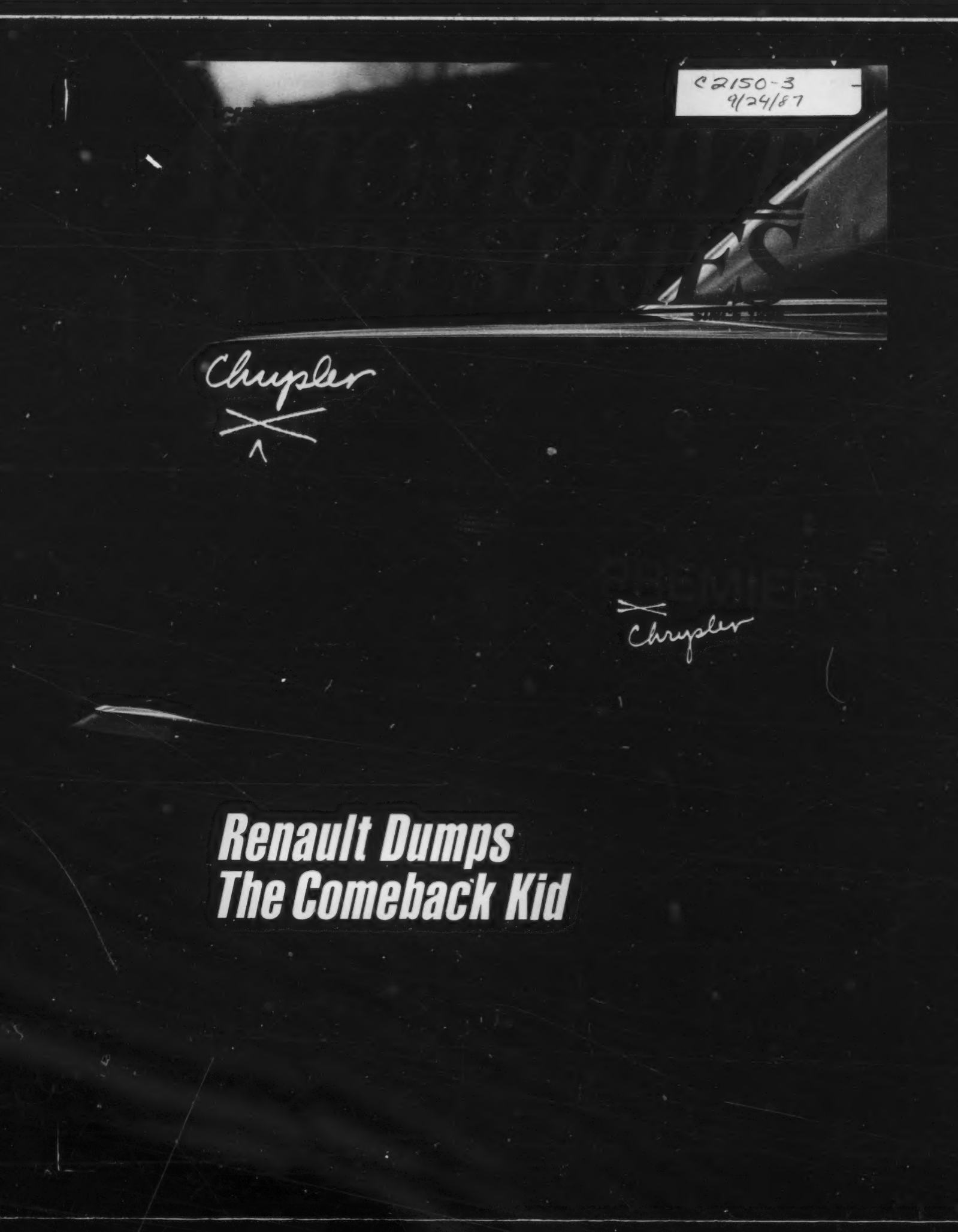

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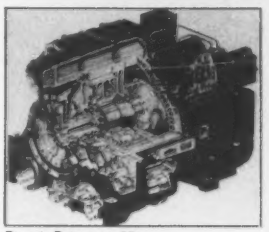

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AUTOMOTIVE INDUSTRIES (ISSN 0273-656x) magazine is published monthly by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Company is a division of Capital Cities/ABC, Inc., New York, NY. Subscription rates. 1 yr. $39.95 US, $79.95 foreign. Phone (215) 964-4152. Second Class Postage paid at Wayne, PA 19087 and additional mailing offices. POSTMASTER: Send address changes to AUTOMOTIVE INDUSTRIES, Circulation Dept., Chilton Way, Radnor, PA 19089. © Chilton Company, 1986. Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC), provided that a base fee of $1.00 per copy of the article, plus 25¢ per page is paid to the CCC, 21 Congress St., Salem, MA 01970. Address special requests to The Editor. (0273-656x/85 $1.00 + 25¢)

ONE OF THE ABC PUBLISHING COMPANIES

Move Over, Cabover

by John Stark

A dramatic skid in US demand for heavy-duty cabover engine (COE) vehicles may come to a screeching halt this year, some truck industry officials believe. But the tread marks from fast-moving conventional trucks may take years to wear off.

Navistar International and Freightliner, for example, have sharply raised their penetration in the slumping Class 8-type, high COE heavy truck business with respective 1986 market shares of 41½% and 27½%. That now far surpasses rivals.

Kenworth and Freightliner, closely trailed by Peterbilt and Navistar, are perched atop the growing long-nose conventional truck market. Navistar and Volvo White have narrowed the gap on Mack's dominant, venerable position in the medium-length conventional truck market segment.

Demand Flux

Three factors are responsible for the dramatic shift in demand from COE to conventional trucks and vastly changed market positions, in high volume segments of the Class 8 commercial vehicle business:

- Truck price discounting, spawned by falling COE truck demand.
- Birth of the aerodynamic "Baby 8" truck in the lower end of the expanded Class 8 (33,001 GVW and over) conventional vehicle market.
- New construction-type truck product entries in the medium-length conventional segment of the business.

US demand for Class 8 COE-type trucks has been bouncing up and down like a yo-yo since 1980. Much of this has been caused by uncertainty over commercial trucking deregulation by the US government. Truck

John Stark is editor and publisher of Stark's Off-Highway Ledger.

length and width were extended. The deregulation led to the setup of regional distribution hubs by major trucking fleets, a subsequent reduction in the horsepower requirement for a typical commercial vehicle (250-hp and lower) and a profound switch in truck use from COEs to conventionals.

Look What the Stork Brought

Bingo! The Baby 8 truck was born. A Baby 8 truck is generally defined as an aerodynamic, conventional-type vehicle weighing slightly more than 33,001 lb GVW (*14,950 kg*), containing a 250-hp diesel engine and a midrange-type truck drivetrain.

Kenworth is credited as giving birth to the first Baby 8 heavy truck with its T600A model. Its share of the long-nose conventional truck business soared nearly 4% in 1986; Kenworth is now the leading US seller of long-nose conventionals, followed by Freightliner, Peterbilt and Navistar.

Most market participants either have or soon will have Baby 8s in the US market. By the end of 1986, Baby 8s accounted for 16% of overall truck sales. A peak of roughly 20% is seen by some truckmakers, such as Mack, before Baby 8 growth runs out of steam.

However, stringent federal engine emission regulations scheduled for 1991 may play into the hands of conventional-type truck producers as they install electronic engine and transmission controls on the powertrains of hot-selling conventionals, in order to meet particulate engine emission standards.

COE For Sale: Cheap

A glut of older COE-type truck trade-ins, containing outdated component technology and low sticker prices, may toss a damp towel on production schedules for new Class 8 COE tractors over the next 1-2 years.

T&OHI asked the rhetorical question on the cover of our March/April 1981 issue: Are Cabovers Dying? They sure did. US demand for COE trucks bottomed out in 1981, peaked in 1983 and is still in the dumps.

In that cover story, Ford's heavy truck development manager said, "If we allow another 5 ft (*1.5 m*) for a cabover tractor, there may be a decided (10% to 40%) shift from short conventionals to medium and long conventionals, and from cabovers to medium- and long-noses." The shift came in—at about 16½%.

GMC's chief engineer-body and sheet metal had said "If the Cannon amendment [length and width extension] passes, it'll be a whole new ball game."

Bingo!

CLASS 8 COE VS. CONVENTIONAL TRUCK DEMAND

	1986	1985	1984	1983	1982	1981	1980	1979
Cabover Engine	25.5%	32.5%	40%	45.5%	42%	39%	39%	41%
Conventional	73.5%	66.5%	59%	54%	57.5%	60%	59.5%	57.5%
Others	1%	1%	1%	.5%	.5%	1%	1.5%	1.5%
Total	100%	100%	100%	100%	100%	100%	100%	100%

AUTOMAKER QUARTERLY REPORT

Second quarter '87 results reveal a Korean beachhead, Ford flying high, Chrysler lagging, and a share-losing General.

by Dr. Thomas O'Grady

Stabilization at 139 yen to the dollar and the recent slight climb to 150 yen to the dollar helped the Japanese automakers resist further price increases. While the worst may be over for the Japanese, expect the dollar to further erode. By that time, however, they will realize productivity gains.

This year, car sales will total about 10.1 million units, while sales in 1988, a presidential election year, will climb to 10.7 million units.

Incentives will continue as a regular marketing tool. However, they are in danger of losing their effectiveness as a sales tactic. Consumer confusion over the extensive combination of choices between low financing and rebates seems to be pushing down sales of traditional domestics while captive imports and transplants claim an increasing proportion of the market.

In 1987, GM will experience a continued loss of share. Their most recent policy of adjusting to lower share assures that the loss will be permanent.

Dr. Thomas O'Grady heads Integrated Automotive Resources, Inc. in Wayne, Pennsylvania.

Chrysler's share of the market dropped from 11.1% in first quarter '87 to 10.4%. This was partially the result of the temporary loss of Omni/Horizon output during the changeover at Kenosha, which hurt Chrysler both in showroom draw and sales. New products, such as the upcoming A- and C-bodied cars, should boost ChryCo's lagging sales.

Ford continues to fly high with sales as well as profits in '87. The Escort nudged past two Chevrolet models to become the Number 1 selling car in the quarter—and Taurus was right behind it at Number 2.

The most recent round of imports from Korea, which include Hyundai cars, the Mitsubishi (Hyundai) Precis, Ford's Kia-built Festiva and the Pontiac LeMans from Daewoo, is quickly making the Korean manufacturers major players in the industry. Any reprieve from the Japanese for domestic automakers is quickly absorbed by these Korean imports. AI

WHAT'S HOT!
Domestic Auto Sales
(2nd Quarter Results)

Carline	'87	'86	% Change
Escort	107,031	107,073	(0.04%)
Taurus	96,445	65,967	46.20%
Celebrity	92,510	118,571	(21.98%)
Accord*	76,961	72,608	6.00%
Cavalier	71,655	107,164	(33.14%)
Excel	70,892	41,376	71.34%
Clera	65,991	88,437	(25.38%)
Tempo	65,284	62,595	4.30%
Corsica/ Beretta	64,327	0	–
Sentra	62,274	54,722	13.8%

*– Includes imports
( )– Negative value

US Passenger Car Market Shares To Date

Manufacturer	Sales	% Total
General Motors	1,911,970	37.64%
Ford	1,031,187	20.30%
Chrysler	543,588	10.70%
Honda/Acura	335,582	6.61%
Nissan	282,952	5.57%
Toyota	260,205	5.12%
Subaru	77,517	1.53%
VW	91,533	1.80%
AMC/Renault	21,969	0.43%

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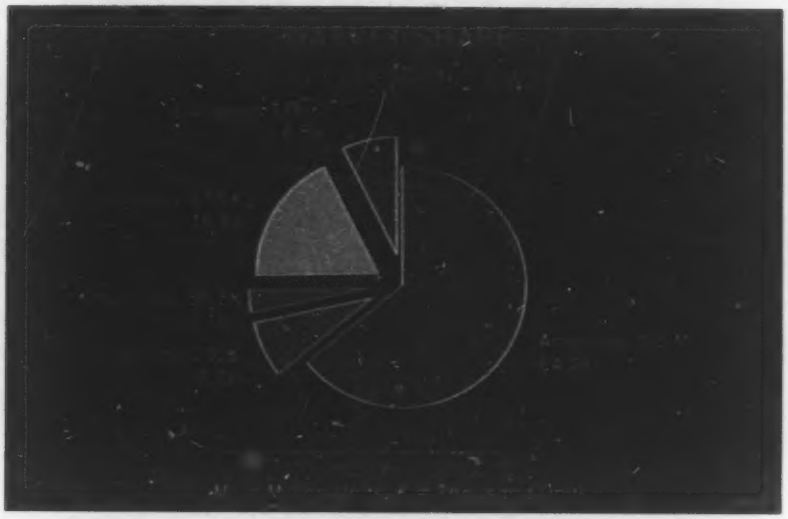

Passenger Car Market Share By Geographic Base

Second Quarter 1987

Manufacturers	Total Sales	Total Market Share
American	1,764,628	64.08%
Japanese	513,068	18.63%
European	177,909	6.46%
US Built Imports (VWUS, Honda, NUMMI, Nissan, Renault, Toyota)	211,660	7.69%
Other Imports (VW Fox, Ford Festiva, Hyundai)	86,554	3.14%
Total	**2,753,819**	**100.00%**

Domestic Light Truck Quarterly Production

Truckline	4-'86	1-'87	2-'87
Chrysler Vans	32,313	33,871	30,439
. Sport Utility	6830	7380	6397
... Miniwagon	69,844	76,909	101,387
Light Conventional	64,216	63,795	59,946
Ford. Aerostar	41,153	51,405	45,495
..... Bronco	10,322	16,626	12,781
.....Econoline	58,079	62,014	60,748
..... Ranger	76,941	87,788	78,310
..... Bronco II	30,648	32,369	35,160
Light Conventional	98,750	178,156	168,963
Chevy.. Blazer	7255	8825	9489
..... Suburban	12,257	16,259	17,427
.....P-Model	7846	11,425	12,146
..... S-10	48,650	54,613	41,784
..... Blazer S	33,445	45,433	46,194
..... Astro	38,114	41,308	42,913
..... Van	24,165	38,056	43,031
Light Conventional	76,470	75,824	60,148
..... Sierra	1531	37,762	52,328
GMC. Jimmy	2453	2431	2443
....Suburban	7083	6191	6427
..... P-Model	1861	1729	2021
.....S-15	12,759	14,609	13,950
..... Jimmy S	10,287	11,579	12,171
..... Safari	9664	10,263	10,614
..... Van	8360	12,560	15,195
Light Conventional	26,051	24,953	22,916
..... Sierra	610	12,776	17,576
Nissan Pkup	20,228	21,569	21,897
AMC Grand Wagoneer	--	4363	3457
... Cherokee/ Wagoneer	--	39,296	37,199
.. Comanche	--	11,697	12,000